

Tab B Return on Investment Program Funding Application for FY 2013

Contact Information:

Funding to be requested (select only one):

☒ IT Enterprise Solution project

☐ Agency Specific IT project

Date: September 7, 2011

Agency Name: Iowa Workforce Development Division of Workers' Compensation

Project Name: PERFECT System

Agency Manager: Commissioner Christopher J. Godfrey

Agency Manager Phone Number / E-Mail: 515-281-8335 / christopher.godfrey@iwd.iowa.gov

Executive Sponsor (Agency Director or Designee): Iowa Workforce Development

Amount of Funding Requested: \$568,485.00

Section I: Project Description:

Describe the project and how the project will to be accomplished. Explain technology that will be used and how this works within your agency's technology architecture and adheres to enterprise wide standards. **Describe the investments to be made in infrastructure and services.** Explain how the project will fit into your agency and state strategic plan, IT strategic and tactical plan, Governor's leadership agenda, and if appropriate, how the project relates to enterprise wide or multiple agencies' initiatives (*Please limit explanation to 500 words- You may supplement with any tables or data that will assist in understanding project*)

In an effort to modernize the Division of Workers' Compensation and to meet the goals of state government – namely to make interaction with the state less burdensome and costly – the division worked with both internal staff and our "customers" (attorneys, insurers, and businesses) in a Kaizen event where we mapped out goals of a new workflow and a redesign of the division's infrastructure to develop a new computer-based internal and external workflow system. The new system is called the Paperless Electronic Records Filing and Electronic Claims Technology system, i.e., "PERFECT System". The goals of the system are to reduce the lead time from when a petition is filed with the division until the case is administratively closed; reduce the use of paper within the division utilizing existing computer infrastructure to manage case files; reduce excessive mailing costs; provide online access to outside users; reduce storage space required for large paper files; allow attorneys to file petitions and other filings electronically over the web and pay filing fees through an online portal; achieve staffing efficiencies; automatically set up an electronic file; send e-mail notifications to all the parties confirming creation of the file upon filing of petition and submission of new

documents filed in the case; allow online hearing scheduling without staff involvement; enhance compliance filings; and allow archival of electronic files (on-line access of electronic files for a period of 10 years). This system will coordinate well with the Judicial Branch's ongoing paperless efforts. The system has been developed and training with external users has already occurred. The customers are anxious to utilize the system when implemented following a minimum of one full month of acceptance testing.

The project relies upon proven and acceptable technology solutions by utilizing existing IWD hardware.

The system will support the overall goal of Iowa Workforce Development by working to make the comprehensive services we provide more accessible and easier to utilize by both businesses and workers.

The success of the project is enhanced by the strong terms of contract that we have secured with the vendor, HCL America. The contract requires HCL to continue system development and technical support until there is final sign-off by the agency upon our satisfaction with the functionality of the system. The division has full funding to complete the terms of the contract including a one-time appropriation of \$500,000.00 and \$270,000.00 of the division's general funding – total cost of \$770,000.00.

The present request is to assist IWD and the division to work to maintain the system upon implementation and to save in future costs by making enhancements to the system to replace the FileNet platform with a product already in-house at IWD, thereby having significant savings from present cost estimates.

Section II: Expected Results

Describe the benefits to be achieved including impact on citizens, other agencies and department staffs. Include estimates where possible of the number of users and how these users will participate in project development and benefit from its availability.

Describe how project assists agency in meeting any mandates, compliance with technology standards or health, safety or security requirements

Describe how processes within your agency will be affected by the completion of the project. What changes will occur in organization structure, systems, or processes.

(Please limit explanation to 500 words. You may supplement with any tables or data that will assist in understanding the benefits)

The Iowa Division of Workers' Compensation is required by statute to provide hearings in contested claims and to enforce compliance with the

Iowa Workers' Compensation Act. There are various compliance statutes (i.e., Iowa Code section 86.13A) which will be significantly easier for the division to enforce upon implementation. The current mainframe application requires significant manipulation to obtain data on the timeliness of commencement of workers' compensation disability benefits while the new system will automatically generate reports with this data. Each year there are approximately 22,000 reportable work injuries to Iowa citizens. There are thousands of employers and their insurance carriers who must make mandatory reports of those injuries along with benefit payment information. Agents of those workers and businesses will have daily interaction with the system to make filings or review information.

The system will have a very favorable impact on customers who conduct business with the Iowa Division of Workers' Compensation. All citizens in the state of Iowa can have the need to interact with the division. The system will allow ease of access to obtain information and request benefits upon an injury. The two most important impacts will be a reduction in the time to interact with the division as well as the cost savings to both the division and citizens. With the PERFECT System it is as if the division is open and can accept questions and document submission continuously. Currently such submission can only occur during regular business hours and often by mail. The cost savings will also be significant as parties to a claim and the division can file and serve documents by email as opposed to paying for postage or a runner to deliver documents. For the division postage alone is an anticipated savings of over \$20,000.00 per year.

The division's PERFECT System is designed specifically to allow other governmental entities to obtain reports and other information electronically. The collaboration will occur with the Iowa Division of Labor (IOSHA), the Child Support Recovery Unit, the Second Injury Fund of Iowa (Treasurer and AG's office); and the United States Social Security Administration. Each of these units requires access to information from the division which is currently provided only upon request or by access to information by generating a report manually. The PERFECT System will allow these entities to have immediate access to the data without having to make a specific request from division staff resulting in further savings.

The division will be able to reduce the current docket staff which currently handles all of the internal workflow and creates and maintains files. Those duties will be unnecessary. Further, professional staff will have automatically generated reports rather than making inquiries for reports from the mainframe system. It is anticipated that savings from docket staff employees equate to an approximation of \$80,000.00 annually.

Ensuring the ongoing maintenance of the system and assisting with keeping the platform on which the system is based as up-to-date as

possible is necessary to make the system cost-effective, stable, and secure.

Section III: Financial Analysis

1. Complete table one as outlined in enclosure one to indicate the estimated costs for acquisition/development and ongoing costs for up to five years where applicable. Indicate approximate share of project that will be funded from various funding sources table two to enclosure one.

2. Estimated cost reductions to agency from project. Quantify actual state government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process after project implementation. Describe all cost reductions and how those reductions will be achieved including personnel reductions or deferred hiring, table three of enclosure one.

3. Other Benefits. Explain other cost reductions or intangible benefits to customers as defined in section II, these expenses may be of a personal or business nature. Discuss Risks of not proceeding with project including loss of other funds, avoidance of penalties or consequences of not complying with enterprise technology standards.

(Please limit explanation to 500 words. You may supplement with any tables or data that will assist in understanding the benefits of project)

4. Calculate estimated Return On Investment (ROI), table four enclosure one:

The PERFECT System began its life as a Kaizen event that specifically looked for efficiencies in workflow. The PERFECT System redesigned the workflow of the division and utilized technology in each step of that process. The PERFECT System will replace an outdated mainframe system that has not been significantly updated since the 1980's and save well over \$15,000.00 per year in costs associated with the mainframe. The reduction in staff workloads will open up the ability to perform other duties that are required for the division to meet its obligations under the Iowa code. The use of the theory of presumption (having outside customers perform work we currently perform) is another efficiency as the users will be creating claim files automatically and when a filing occurs it is automatically served and routed by the system as opposed to division staff.

There will be significant savings as well as increased conveniences from online, external scheduling of cases. The present filing system requires the division to have a full-time scheduler working with outside parties to schedule nearly 3,500 cases for hearing at an annual cost of approximately \$50,000.00. The PERFECT System will automatically prepare the hearing assignment order when the parties select their hearing dates and an email confirmation will be sent to each party confirming the hearing information. The system will also save the time of outside customers as they work to select and confirm hearing dates. The proposed system will also allow for the hearing scheduler duties to be

eliminated and save the agency significant postage costs as hearing assignment orders will be delivered electronically as opposed to by mail.

Likewise, the online payment function would also produce savings as set forth above as the parties would be responsible for payment of their own fees and the system would automatically account for and verify correct payments.

In order to fully maintain and improve the system and achieve the efficiencies for which the division has made the initial investment (start-up) of \$770,000.00, IWD IT requests funding to seek assistance from the vendor or other qualified third party to make modifications and assist with ongoing improvements such as removing the FileNet platform (in order to save \$42,000.00 per year or more) and incorporate other efficiencies.

IWD IT calculates that the annual costs initially will include \$154,000.00 for outside support and modification of the application along with the costs of \$42,000.00 annually for FileNet licenses. As a part of the annual support and modification expenses it is anticipated that the FileNet license can become unnecessary when the platform is altered at a minimum saving of the annual license fee of \$42,000.00. It is anticipated that an alternate platform license could be utilized for approximately \$20,000.00 annually.

Section IV: Auditable Outcome Measures

(Note that Section IV is not used in the scoring of the project)

For each of the following categories, list the auditable metrics for success after implementation and identify how they will be measured.

1. Improved customer service
2. Citizen impact
3. Cost Savings
4. Project reengineering
5. Source of funds (Budget %)
6. Tangible/Intangible benefits

Enclosure One – Financial Analysis

**Enclosure One, Financial Analysis Spreadsheet to Return on Investment (ROI) Program
Funding Application**

Agency Name: Iowa Workforce Development Division of Workers' Compensation

Application Name: PERFECT System

Table One: Estimated Project Cost

	FY13	FY14	FY15	FY16	FY17
Development and Implementation Costs	\$0	\$0	\$0	\$0	\$0
Recurring Costs	\$196,000	\$181,700	\$190,785	\$0	\$0
Total Costs	\$196,000	\$181,700	\$190,785	\$0	\$0

Table Two: Percentage of Costs From

General Fund				100%	100%
Federal or other funding					
Pooled Technology Fund	100%	100%	100%		

Table Three: Projected Reduction in Expense

For Requesting Agency	\$300,000	\$315,000	\$330,750	\$347,288	\$364,652
For Other State Agencies	\$10,000	\$10,500	\$11,025	\$11,576	\$12,155
TOTAL Cost Reductions	\$310,000	\$325,500	\$341,775	\$358,864	\$376,807

Table Four: Calculated Estimated Return on Investment

Total projected cost from table one	\$196,000	\$181,700	\$190,785	\$0	\$0
Total projected cost reductions from table three	\$310,000	\$325,500	\$341,775	\$358,864	\$376,807
Projected Net Benefit to the State of Iowa	\$114,000	\$143,800	\$150,990	\$358,864	\$376,807

The return on investment primarily comes from the startup investment of \$770,000.00. The savings will include postage, labor, elimination of mainframe costs, and savings to Iowa businesses and workers who will be able to utilize the system.

IWD IT changes and recommendations included are what are estimated to maximize the investment

and obtain the most significant return on the money already expended. For purposes of this chart IWD

has estimated the initial projected cost savings for IWD and its customers for the first year to be \$300,000.00

and increase 5% annually.